

The Army National Guard



Annual Financial Report
Fiscal Year 1998

The Army National Guard



Annual Financial Report

Fiscal Year 1998



Table Of Contents

THE ARMY NATIONAL GUARD ANNUAL FINANCIAL REPORT (FISCAL YEAR 1998)

2	Message from the Director
4	Vision, Mission, Goals, and Objectives
6	An Overview: The Army National Guard
16	Financial Highlights (Fiscal Year 1998)
20	Operations of the Army National Guard
24	Annual Performance Goals
28	The Economic Impact of Federal Spending
30	Message from the Chief Resource Management Officer
32	Balance Sheet
34	Statement of Net Cost
35	Statement of Changes in Net Position
36	Statement of Budgetary Resources
39	Notes for Direct and Dedicated Usage of Funds

ADDITIONAL INFORMATION AVAILABLE ON CD AND THE ARNG WEB SITE

A-1	Annex A. Fiscal Year 1999 Posture Statement
B-1	Annex B. A National Guard Frontier for the Next Century
C-1	Operations of the Army National Guard—Expanded Information
D-1	Individual State and Territory Information



Message From The Director

During Fiscal Year 1998, the Army National Guard saw duty in Bosnia and dozens of other nations throughout the world. At home, the Guard was called into service to support a wide variety of Emergency Response missions throughout the country. Through it all, our Guard personnel executed these missions with the exceptional skills, training, and devotion that have been a hallmark of the Army National Guard since 1636.

Even as we look back with pride in our accomplishments, however, we must also be looking to the future. Emerging missions like the Homeland Defense mission loom on the horizon. More than anything, these emerging challenges require a constantly increasing level of Active Component/National Guard integration. To this end, the Army National Guard Directorate, in concert with the State Adjutants General, has developed a number of proposals that will enhance Active Component/Army National Guard integration efforts. Many of these proposals are already meeting success. Organizationally, we are exploring the conversion of some Army National Guard combat units to Combat Support and Combat Service Support elements to help offset Active Component shortfalls in these areas. Finally, we are currently implementing an initiative to integrate six of our enhanced Separate Brigades (eSB) into two new divisions under Active Component divisional headquarters elements. Each of these initiatives will play vital roles in posturing the Total Army to meet the demands of the next century.

Accomplishing our mission in a constrained resource environment requires careful management of the dollars entrusted to us. This publication is the initial effort of the Army National Guard to capture the key management aspects of this stewardship in an annual report. The printed version provides summary information relative to the performance of the Army National Guard. The enclosed CD and the web page version provide detailed data reflecting individual state information and Army Guard support to the CINCs around the world.

I believe we have a historic opportunity to further the process of transforming the Army National Guard into a force capable of responding to the emerging requirements of the coming century. At the same time, the Guard will continue to support those domestic and international missions that make the Guard a vital asset to our nation.



ROGER C. SCHULTZ
Major General, GS
Director, Army National Guard

**A relevant force ... missioned across the
spectrum of contingencies ... structured and
resourced to accomplish its missions ...
capable and accessible when called ...
with trained citizen soldiers
committed to
preserving
the timeless
traditions
and values of
service to our
nation and
communities.**



Vision, Mission, Goals, And Objectives

Introduction

Army National Guard support at both the Federal and State levels has long been a mainstay of our government's ability to meet the needs of its people. At the Federal level, this resulted in providing trained and ready forces in support of the National Military Strategy. Among Federal Guard missions were support to Bosnia, the State Partnership Program and Theater Commanders in Chief worldwide. Management of the consequences of domestic terrorism will soon be added to Guard mission requirements. At the State level, the Guard provided trained and ready Federal mission forces for a wide variety of state requirements including disaster relief, medical support, civil disturbance support to local authorities, counter-drug support and a variety of other missions.

Guard Goals And Objectives

Even as the Guard worked to meet its State and Federal obligations, we remained firmly focused upon our goals and objectives as an organization. These goals and objectives include:

Manning: We must recruit and retain the quality soldiers necessary to produce combat ready units.

Organizing: The Guard must focus on providing missioned units and their required support structure as a part of the Total Army.

Equipping: Guard units must have technologically relevant, mission capable equipment in order to play their role in the nation's defense.

Sustaining: Our organizations and equipment must be properly resourced if they are to contribute to meeting the needs of the National Military Strategy.

Training: Careful attention must be given to gaining maximum training readiness as we work with limited training time and resources.

Quality Installations: State-of-the-art facilities set the conditions for our success as an organization. Without them, meeting our other organizational goals would be far more difficult.

Missioning: We must ensure that all of our organizations are fully missioned in order to maximize our contribution to our nation's defense.

We worked toward these goals throughout FY98, and our hard work paid off. Efforts in recruiting and retention allowed the Guard to meet end-strength goals for the year. We took a giant leap forward in better organizing our units through the recently signed integrated division Memorandum of Agreement, that will integrate six Guard Combat Brigades with Active Component leadership. We continued to receive modern equipment for our units throughout the year. In training, Guard participation at the Combat Training Centers and in supporting overseas commitments moved us toward our training and readiness goals. Our efforts in providing quality facilities for our troops also met with success during the year. Finally, our division redesign initiative, coupled with the integrated divisions mentioned earlier, will result in a more mission relevant Guard force structure than ever before. The ARNG made significant progress in each of the goals and objectives established, and these efforts will continue to enhance the Guard's capabilities in the coming years.



An Overview: The Army National Guard

The Year In Review

The Guard's success in meeting its goals and objectives stemmed from an intense level of activity both domestically and internationally, even as limited resources presented continuing challenges. More than 24,037 soldiers were deployed overseas to support real-world missions and other training in 1998. Domestically, the Guard expended over 374,115 mandays responding to natural disasters and performing other state duties. All of these requirements were accomplished simultaneously with the inactivation of 81 Army Guard units or elements of units, personnel reductions in excess of 1,800 positions, changes to unit missions and ambitious annual training and equipment modernization programs. Throughout this period, Guard soldiers and their families remained the centerpiece of the ARNG strategy. More than ever, the all-volunteer force relied heavily on Guard families' resolve and commitment as well as a strong community support base focused on employers who understood and supported the contributions of their employees. The many personal and professional sacrifices ARNG soldiers and their supporters made in peace and war will continue to be the benchmark upon which all other reserve forces in the world are measured and tested.

The Army National Guard At Home

The commitment and professionalism of Guard soldiers and their families was constantly visible on the domestic front during the year. In FY98, men and women of the Army National Guard served their communities in 54 states and territories during 308 emergency response missions, expending over 374,115 mandays. Of these 308 State Active Duty call-ups, 172 were natural disasters, 23 were civil emergencies, 31 were in support of law enforcement agencies, and 82 were other miscellaneous missions. The ability to call upon the Guard on an "as-needed" basis for State support missions demonstrated the value of a part-time, trained and ready community based force. This effort only succeeded due to strong employer support and the instant willingness of the traditional as well as full-time members of the force.

The Guard Overseas – Bosnia

Demonstrated Guard professionalism was hardly restricted to the United States. Our efforts to ensure relevant missioning for all Guard units was clearly evident during the year. In Bosnia, Army National Guard deployments in support of Operations Joint Endeavor, Joint Guard and Joint Forge represented the largest overseas Guard deployment since the Gulf War. In all, we mobilized 2,042 soldiers from 89 different units and 32 States under Presidential Selected Reserve Call-up authority in support of this effort.

The Bosnia mission provided a glimpse of the future of the Guard in its Federal role. Missioning of Guard units arising from the Bosnia effort had an impact on almost all major Guard formations. For example,

all eight National Guard Divisions contributed to Bosnian mission support. Additionally, October 1997 saw the first overseas operational deployment of an Army National Guard combat unit in recent times as members of the 29th Infantry Division (Light), Virginia Guard, departed for duty in Bosnia. As the upward trend in support for nontraditional missions like Bosnia continues, Army Guard Combat, Combat Support and Combat Service Support formations will be increasingly challenged.

Roles And Missions

Recent years saw a concerted Guard effort to ensure our units were organized to provide maximum support to the Total Army. In May 1995, the Commission on Roles and Missions recommended that the Army reorganize lower priority Reserve Component forces to fill force shortfalls in higher priority areas. In keeping with this recommendation, the Army conducted Total Army Analysis 003 in late 1995 to determine potential shortfalls in personnel required to implement the National Military Strategy. As a result, the Army determined that nearly 124,800 additional Combat Support and Combat Service Support personnel were required. Following this conclusion, the ARNG commissioned the Army National Guard Division Redesign Study to examine ways it could address this shortfall. As a result of the study, the Guard will convert a number of units from Combat to Combat Support and Combat Service Support formations in the coming years. Among other suggestions, the study recommended the conversion of up to 12 ARNG combat brigades and their associated divisional slice elements to CS/CSS units during FY99–2012.



Active Component/National Guard Divisional Integration

The study also recommended the establishment of two AC/NG Integrated Divisions, each consisting of an active Army headquarters and three Army National Guard enhanced Separate Brigades. An Active Component Division Commander would become responsible for the combat readiness of the three brigades and the other elements necessary to create a full division capable of deploying in wartime. The 30th Mechanized Infantry Brigade (North Carolina), the 218th Mechanized Infantry Brigade (South Carolina), and the 48th Mechanized Infantry Brigade (Georgia) will make up a division headquartered at Fort Riley, Kansas. The other Integrated Division, to be headquartered at Fort Carson, Colorado, will be composed of the 39th Infantry Brigade (Arkansas), the 45th Infantry Brigade (Oklahoma), and the 41st Infantry Brigade (Oregon). The activation date for the two divisions is planned for 1 October 1999.

Fort State

Just as important as missioning were Guard efforts to ensure effective resourcing for our units and infrastructure. One example of our efforts in this area involved the Fort State Program. Fort State seeks



to leverage existing infrastructure, experience and capabilities within states and territories to perform services such as maintenance, calibration, controlled humidity preservation, and supply and transportation. Utilization of the ARNG's capabilities through the Fort State concept provided the Department of Defense alternative methods to acquire cost effective services. Additionally, the Fort State concept enhanced the "One Army" concept by fostering day-to-day working relations between the Active Army and the Army National Guard. A Fort State feasibility analysis, undertaken at the request of the Active Army leadership, examined Total Army requirements as set against ARNG state level capabilities. This analysis indicated the potential for the ARNG to support the Department of Defense in certain logistical areas. The economies achieved through the more efficient use of various support functions at the state level will both save money and further strengthen Active Component and ARNG integration, cohesion and cooperation.

RETROEUR

Another major sustainment initiative was the Retrograde of Equipment from Europe Program. This important initiative involved the redeployment, repair, and redistribution of excess Army equipment resulting from the draw-down of forces in Europe. By the end of FY98, repair sites received 8,968 vehicles and 17,050 pieces of communications-electronics equipment. A total of 7,350 vehicles and 10,530 communications-electronics items were repaired.

Military Construction

FY98 saw a number of much needed military construction projects initiated throughout the nation. In all, 29 major construction projects worth over \$123 million were awarded in FY98. An additional 27 projects are scheduled to be awarded in FY99. The FY98 appropriation of \$122 million funded 24 projects, including \$104.8 million for major construction, \$6.3 million for planning and design and \$10.9million for unspecifiedminorconstruction.

Facilities Management

As noted in the Guard Goals and Objectives, modern, well-maintained facilities provided the foundation for efficient Guard operations. The Army National Guard operated over 3,200 armories in 2,700 communities in all 50 states, Puerto Rico, the Virgin Islands, Guam and the District of Columbia. In addition, the Army National

Guard federally supported the operation and maintenance of more than 18,000 training, aviation, and logistical facilities throughout the nation.

Facility Operations And Maintenance

FY98 provided \$236.7 million, or \$3.03 per square foot, for real property operations and maintenance, about \$41.4 million more than in FY97. This program paid for salaries required to support facility operations and maintenance and provided funds for utilities, minor construction, maintenance and repair projects, and supplies required to extend the useful life of National Guard facilities. The Federally supported square footage increased from 65 million square feet in FY97 to 70 million square feet in FY98, just as equipment modernization and aging facilities increased overall maintenance requirements. In FY88, \$3.41 per square foot was available to operate and maintain Army National Guard facilities. In FY98, that amount was \$3.03 per square foot, or \$2.35 in constant FY88 dollars; a decrease of over 30%.



Depot Maintenance

The Army National Guard's depot maintenance program is based on a "repair and return to user" premise. This means Army National Guard equipment is repaired to deployable standards and returned to the owning units. The Army National Guard does not have an equipment maintenance float. Backlogs and carryover from year to year increase the unserviceable equipment that must be supported. A depot maintenance backlog decreases the Army National Guard's capability to meet assigned materiel readiness goals, decreases the quantities of serviceable equipment available to support Army National Guard training programs, and impairs the Army National Guard capability to rapidly mobilize and deploy high priority units. Depot level maintenance of aging Army National Guard equipment is the key to obtaining the highest possible level of Army National Guard equipment readiness. The Depot Maintenance Program was funded at 26% for FY98. Including aviation support, projected funding for FY99 is at 35%. Funding for this vital area is expected to increase slightly in the out years but depot maintenance requirements for the enhanced Separate Brigades continue to remain a key concern. For FY99, funding levels for the enhanced Separate Brigades remain at 60% while the funded levels for Divisions is eight percent of depot maintenance requirements.



Base Realignment And Closure Commission (BRAC)

The efforts of the Base Realignment and Closure Commission (BRAC) contributed significantly to Guard goals and objectives in the facilities arena. The BRAC Commission findings and recommendations in June of 1995 resulted in the transfer of four active component installations to the National Guard over the next few years. Transfer of Fort Pickett, Virginia, and Fort Chaffee, Arkansas, was completed in 1998. Fort Indiantown Gap, Pennsylvania, is scheduled to transition in 1999 and Fort McClellan, Alabama, in 2000.

Readiness

All of the Guard goals and objectives add up to one critical result – Army National Guard readiness. Guard readiness goals include sustaining a highly trained and ready force that meets all wartime operational, logistic, and personnel standards. FY98 unit training readiness highlights included unit rotations for Oregon's 41st Infantry Brigade and Idaho's 116th Cavalry Brigade at the Joint Readiness Training Center at Fort Polk, Louisiana and the National Training Center at Fort Irwin, California. Preparatory leader development training, as well as the exercises themselves, demonstrated the ability of the Army National Guard to fully meet its assigned readiness goals in a crisis or wartime scenario.

Forward Support Package Readiness

Guard Forward Support Package units are Combat Support and Combat Service Support units designated to support Active Component Divisional, Corps and Theater level units. Slated to respond to the two nearly simultaneous Major Theater War scenarios, the 209 ARNG Forward Support Package units were the highest priority Guard units. These units supported five and one-third AC Divisions, two Corps headquarters, and two theater slices.

Enhanced Separate Brigades (eSB) Readiness

The fifteen enhanced Separate Brigades of the ARNG are the principal Reserve Component ground combat maneuver force of the Army. A new structure within the Guard, eSB Brigades are expected to

achieve readiness goals of personnel, equipment on hand, equipment serviceability and training by its scheduled 30 September 1999 deadline. The ARNG is working hard to assist in meeting eSB readiness goals.

Divisional Readiness

Recent trends in readiness funding continued to provide challenges for the eight ARNG Divisions in FY98. The level of funding in FY98 failed to generate resources for minimal divisional readiness and deployability. This resourcing was sufficient to provide 28 miles out of a required 215 miles for each M1 Abrams tank in the armored and mechanized divisions. Maintenance personnel in these units conducted repairs on their M1s using initial issue repair parts that were still available. Additionally, current resource levels support required professional education in lieu of Annual Training for many Guardsmen assigned to the divisions. Finally, current divisional resource levels typically support separate eight-hour daily drill sessions rather than continuous Saturday through Sunday weekend drill periods.



Recruiting

A central component of the readiness equation is embodied in the Guard's manning goals and objectives. To this end, we continued our aggressive recruiting efforts in FY98. Recruiting goals for the year included maintaining a 362,000 end-strength consisting of 40,291 commissioned and warrant officers and 321,709 enlisted soldiers. In pursuit of these ambitious goals, gains of 56,638 enlisted and 3,682 officers were planned for the year. Recruiting managers also assumed that enlisted losses during this period would not exceed 64,219. The Guard was extremely successful in its FY98 recruiting efforts, attaining an end-strength of 362,459. This number met 100.1% of the FY98 objective of 362,000. At the end of FY98, ARNG end-strength included 39,307 officers and 323,152 enlisted personnel.

The ARNG recruiting strategy ties recruiting and retention into attrition management. The focuses of attrition management are to recruit quality soldiers, to retain MOS qualified soldiers and to reduce the loss of first term soldiers to the lowest rate possible. Guard attrition management efforts were very

successful in 1998, with 97.8% of recruiting goals met with just 18.1% attrition during the same period.

Equipment Modernization

Another vital aspect of the readiness equation involved the Guard goal of equipping the force with modern, relevant technologies and systems. In keeping with this objective, intensive efforts to modernize Guard Combat, Combat Support and Combat Service Support systems continued throughout FY98. These efforts affected virtually every major Guard organization and most major ARNG aviation and ground combat systems.

Aviation Modernization

UH-60 Helicopters, and C-23, C-12 series aircraft were the focus of Army National Guard aviation modernization during FY98. Critical to both State and Federal missions, the modernization of older UH-1 aircraft to the UH-60 remains one of our most intensively managed programs. To date a total of 359 UH-60A models and 83 UH-60L models were fielded to Army National Guard aviation units. This quantity represented about 60% of the total requirements of 740 UH-60A/L utility helicopters. Limited UH-60L procurement will provide additional UH-60 aircraft to the Army National Guard. After scheduled procurement, the Army National Guard will still remain well short of our goal to modernize all UH-1 equipped aviation units with UH-60 aircraft by the year 2000.

Ground System Modernization

On the ground, Total Army field artillery modernization efforts provided resourcing for 18 ARNG M109A6 PALADIN howitzer



battalions. Nine PALADIN battalions will be fielded to Echelons Above Division units, eight to the heavy enhanced Separate Brigades, and one to a strategic reserve brigade. Fielding began in FY98 and concludes in FY 01. A total of 11 additional Multiple Launch Rocket System battalions will be resourced for the ARNG. Kansas and South Carolina completed fielding during FY98, while Arkansas and South Dakota are scheduled for completion by FY99. The ARNG fire support force will include a total of 12MLRSbattalions at the end of FY99.



Modern Bradley Fighting Vehicles were distributed to four of the eight heavy enhanced Separate Brigades: the 48th Infantry Brigade (Mechanized), the 116th Armored Brigade, the 155th Armored Brigade, and the 278th Armored Cavalry Regiment. The remaining enhanced Separate Brigades were originally scheduled to receive M2A2/M3A2 series vehicles by FY00. Unfortunately, this fielding was postponed to FY 08 through FY 10. The Army National Guard continues to work with the Department of the Army (DA) Staff to find modernized equipment to support Army National Guard requirements.

Nine Avenger unit conversions were programmed to occur in Florida, Ohio, New Mexico and South Carolina through FY99. The Air Defense Artillery Avenger/Man Portable Air Defense System battalions were approved for the Army Guard as replacements for current Hawk and Chaparral battalions. These battalions will provide for the entire Army Corps Short Range Air Defense mission. Two additional battalions were programmed for

FY00-03. By the end of FY 03, all Army National Guard ADA Avenger/Stinger battalions will be 100% filled with Avenger Fire Units.

Training And Education

One of the greatest challenges facing the Guard involves generating maximum training readiness with limited resources. With this in mind, the ARNG placed great emphasis on training and educating personnel in 1998. Training and education initiatives included the Select, Train, Promote and Assign Policy and the Distance Learning Initiative. Additional support in this area was provided by the Visual Information Support Center in Nashville, TN. Finally, operations at ARNG Aviation Training Sites and the Army's Combat Training Centers rounded out Guard Training and education efforts.

Distance Learning

In many ways, the Distance Learning Program represents the future of training and education in the Army National Guard. The Distance

Learning Program upgraded armory space to high-tech classrooms, all of which are linked by fiber optic cable to centralized teleconference facilities. The result is a fully interactive classroom where both military and nonmilitary studies can be conducted.

Project SIMITAR

Guard efforts to use emerging technologies and training strategies to leverage limited resources continued throughout the year. Project SIMITAR (Simulation in Training for Advanced Readiness) continued its development of training simulation technologies, methodologies and strategies for use by ARNG heavy maneuver Brigades. The interjection of these initiatives into the 48th Brigade (Georgia ARNG), and the 116th Cavalry Brigade (Oregon, Montana, and Idaho National Guard) continued in FY98 with an NTC rotation by the 116th Cavalry Brigade.



STEP (SIMITAR Training Exportable Package)

Following the success of the SIMITAR program, the ARNG explored ways to apply the most successful aspects of this experimental effort to the Guard as a whole. The result of this study was the SIMITAR Training Exportable Package. Like SIMITAR, it is a training package designed to prepare brigades for a Combat Training Center rotation. The package contains a training strategy, methodologies and technologies that, when applied, give ARNG brigades the skill set required to perform Brigade Combat Team operations at a CTC.



Financial Highlights (Fiscal Year 1998)

The ARNG is currently composed of approximately 53 percent combat, 16 percent combat support, and 22 percent combat service support units, with a nine percent mobilization base. As mandated by professional stewardship, during FY98 the Army National Guard made significant efforts in terms of readiness to maximize the resources appropriated to support their soldiers and units. Despite the accomplishments highlighted in this annual report, readiness of Army Guard Divisions is the primary challenge for the coming years.

The budget was developed to support military end-strength of 366,516, which included an Active Guard and Reserve (AGR) end-strength of 22,310. The civilian end-strength was budgeted at 25,734, consisting of 25,250 Military Technicians and 484 Department of Army Civilians.

DIRECT FUNDS USED	(\$000)		
	(ESTIMATE) FY 1999	(ESTIMATE) FY 1998	(ACTUAL) FY 1998
Operations and Maintenance, Army National Guard	\$2,436,815	\$2,419,051 ¹	\$2,436,892
National Guard Personnel, Army	3,404,595	3,333,867 ²	3,405,898
Military Construction, Army National Guard	47,675	118,000	81,834
National Guard and Reserve Equipment	0	68,835	15,962

¹This funding level did not include dollars for counter drug and natural disasters (\$27M).

²This funding level did not include dollars for transfer programs, support for Counter Drug, or increased use of Guard and Reserve (\$125.1M).

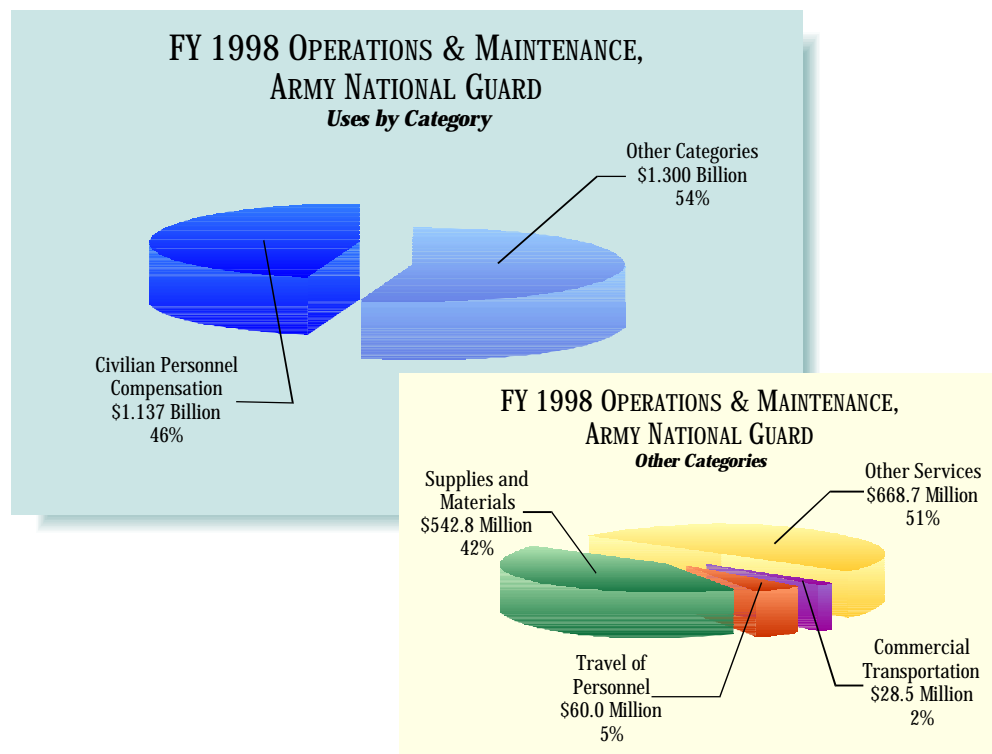
The request for Operation and Maintenance, Army National Guard (OMNG) was \$2.24 billion to support civilian pay, operation and support of military training, and administration and support of ARNG operations and facilities. Congress provided \$2.4 billion, a net increase of \$160 million. This included a decrease of 142 Military technicians, but accounted for an increase of 13 Department of the Army civilians, provided additional support for OPTEMPO and Distance Learning, and supported the development of a concept plan for the planning of a defense for Weapons of Mass Destruction (WMD).

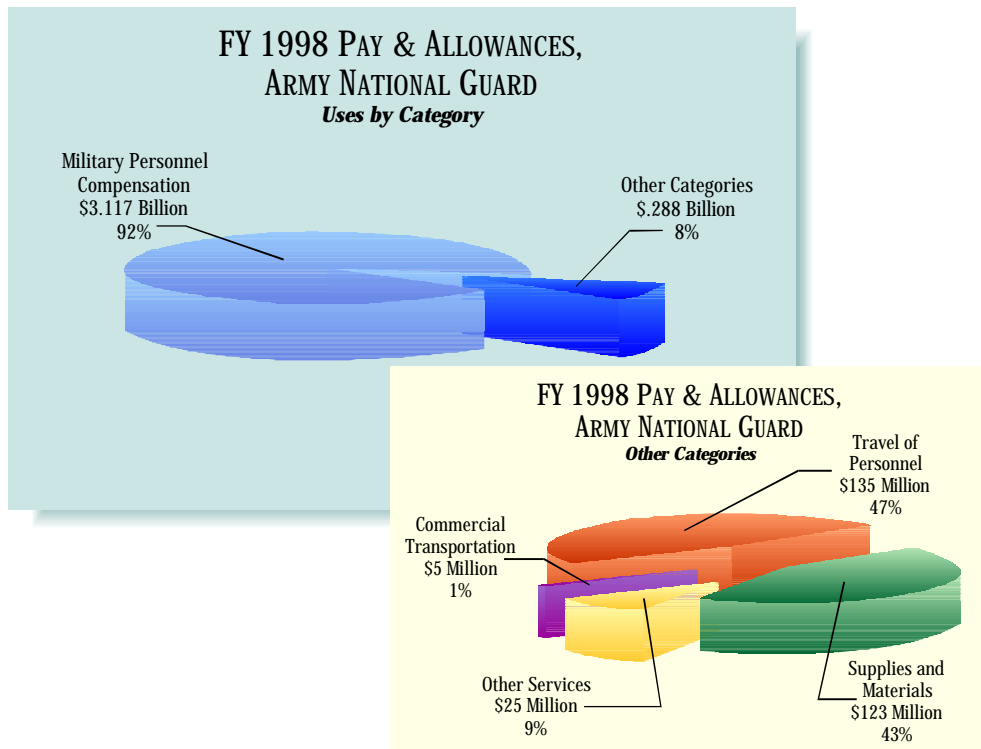
The budget request for National Guard Personnel, Army (NGPA) was \$3.2 billion to support military pay and training. In October of 1997, Congress authorized and appropriated \$3.333 billion for NGPA, an increase of \$133.2 million. This included a reduction of 5,000 military end-strength, but an increase in dollars to support higher planned initial training costs, funding for special training, and bonus programs.

The ARNG requested \$45.1 million in Military Construction, Army National Guard (MCNG). Congress appropriated \$118.4 million, later adding a supplemental appropriation of \$3.7 million to replace facilities at the National Guard Training Center, Fort Stewart, Georgia, which were destroyed by a tornado. Of the 24 major construction projects appropriated by Congress, the ARNG awarded 22. In addition, the ARNG awarded all 13 of its minor construction projects. These projects supported training site modernization, maintenance facility revitalization, and quality of life while integrating training for all components of the Army and support units available for immediate worldwide deployment. They greatly enhanced the utilization and realism of various range complexes, permitted year-round training in all types of weaponry for soldiers in all services, and allowed full utilization of various school houses.

The National Guard controlled \$68.8 million in modernization funds for National Guard and Reserve Equipment. Modernization programs included procurement for aircraft, missiles, tracked combat vehicles, ammunition and other weapons, and other procurement for the reserve components of the Armed Forces. Congress provided \$70 million for miscellaneous equipment in FY98.

Given the austere funding, the goal for FY98 was to provide maximum training opportunities for the entire force, primarily lower priority units. Army National Guard readiness goals included sustaining a highly trained and ready force that meets all wartime operational, logistic, and personnel standards. ARNG staff conducted on-site visits and video teleconferences with major combat units and high priority units to achieve and improve unit readiness. FY98 unit training





The ARNG is currently composed of approximately 53 percent combat, 16 percent combat support, and 22 percent combat service support units, with a nine percent mobilization base. As mandated by professional stewardship, during FY98 the Army National Guard made significant efforts in terms of readiness to maximize the resources appropriated to support their soldiers and units. Despite the accomplishments highlighted in this annual report, readiness of Army Guard Divisions is the primary challenge for the coming years.

The budget was developed to support military end-strength of 366,516, which included an Active Guard and Reserve (AGR) end-strength of 22,310. The civilian end-strength was budgeted at 25,734, consisting of 25,250 Military Technicians and 484 Department of Army Civilians.

The request for Operation and Maintenance,

Army National Guard (OMNG) was \$2.24 billion to support civilian pay, operation and support of military training, and administration and support of ARNG operations and facilities. Congress provided \$2.4 billion, a net increase of \$160 million. This included a decrease of 142 Military technicians, but accounted for an increase of 13 Department of the Army civilians, provided additional support for OPTEMPO and Distance Learning, and supported the development of a concept plan for the planning of a defense for Weapons of Mass Destruction (WMD).

The budget request for National Guard Personnel, Army (NGPA) was \$3.2 billion to support military pay and training. In October of 1997, Congress authorized and appropriated \$3.333 billion for NGPA, an increase of \$133.2 million. This included a reduction of 5,000 military end-strength, but an increase in dollars to support higher planned initial training costs,



Operations Of The Army National Guard

The men and women of the Army National Guard (ARNG) continued to focus training resources toward the goals of the National Military Strategy. The ARNG advanced these goals by providing support for the Unified Commands and conducting training deployments in support of CINC requested missions. In FY98 the ARNG deployed 2,042 personnel to support operations in Bosnia and Kuwait, and 21,995 soldiers to conduct training events in 35 other countries. These events supported Unified Command efforts to shape the international security environment while simultaneously enhancing unit readiness.

ARNG members also performed critical missions to support the citizens of the United States by providing relief from natural disasters. In response to requests from civil authorities, the ARNG expended 374,115 mandays on 308 missions across the country to relieve suffering and restore order. The ARNG also supported the “war on drugs,” providing 552,543 mandays on 13,312 missions. Efforts to improve soldier readiness are equally impressive, with over 90,000 soldiers trained at the Combat Training Centers – the Army’s premier training facilities.

As highlighted below, the ARNG made major contributions to attaining the goals of the National Military Strategy during FY98. While training and readiness are the central focus for units and members of the ARNG, for the Unified Commands and the people of the United States the purpose is the same: mission accomplishment.

United States European Command

Under the direction of the President, 2,042 soldiers from the ARNG were mobilized to support CINCEUR for Operation JOINT ENDEAVOR, JOINT GUARD, and JOINT FORGE in Bosnia. Types of units mobilized included Infantry, Firefighting, Special Forces, Military Police, Public Affairs, Transportation, Aviation, Finance, Personnel, Target Acquisition, and Medical Units. The ARNG provided 164,880 mandays of support to the Unified Command using ARNG training resources to execute CINC requested mission support. In the EUCOM, the ARNG participated in JCS exercises BALTIC CHALLENGE, CORNERSTONE(2), and PEACESHIELD(2). Activities conducted by the ARNG directly supported the forward-deployed units of the Army in Maintenance, Engineer Projects, Military Intelligence, Infantry, and Military Police.



United States Central Command

185 soldiers from the ARNG were mobilized by order of the President to support Operation SOUTHERN WATCH with Attack Helicopters, Air Defense Artillery, and Signal units. The ARNG provided 3,217 mandays in support of CENTCOM using ARNG training resources to participate in training operations that improved the readiness of the deploying units while meeting CINC mission priorities. Types of units deployed to CENTCOM included Military Intelligence, Air Defense Artillery, Signal, and Special Forces.

United States Southern Command

The ARNG provided 186,601 mandays of support to the Unified Command using ARNG training resources to meet CINC requested mission support. Training deployments focused on force protection, theater-wide equipment maintenance support, Explosive Ordnance Detachment support to range clearing operations, and Special Forces Detachments conducting training for foreign soldiers. In FY98, the ARNG participated in JCS exercises NUEVOS HORIZONTES and TRADEWINDS (Honduras, Ecuador, Belize, Bolivia, and El Salvador), providing aviation support to all five training exercises and leading the Engineer projects in Honduras and Ecuador.

United States Pacific Command

The ARNG provided 36,374 mandays of support to PACOM using training resources to provide CINC requested mission support. While deployed, ARNG soldiers participated in JCS exercises COBRA GOLD, YAMA SAKURA, FREQUENT STORM, FOAL EAGLE, RSOI, and ULCHI FOCUS LENS. Deployments not part of JCS exercises provided direct support to CINCPAC requirements for Engineers, Special Forces, Infantry, and Military Intelligence capabilities from the ARNG.

State Partnership Program

Embedded within the support to EUCOM, CENTCOM, and SOUTHCOM were activities conducted under the umbrella of the State Partnership Program. This Guard program grew from the Partnership for Peace initiative to assist Nations emerging from the Soviet Union in establishing a defense infrastructure. Through its cooperative efforts with other nations, the National Guard played a critical role in shaping the international environment in support of the national security strategy. The Guard's international initiatives directly supported the United States' national security and national military strategies by fostering democracy, encouraging market economies, and promoting regional cooperation and stability. These training deployments provided valuable training for the ARNG, reduced Active Component OPTEMPO and assisted the Unified Commands in shaping the security environment by showcasing the Citizen Soldier.

Direct Support To The Citizens Of The United States

Under the Constitutional "dual role" as both a Federal and State force, a frequent and significant role of the National Guard is to support state and local governments. When an event occurs that overwhelms the

The men and women of the Army National Guard (ARNG) continued to focus training resources toward the goals of the National Military Strategy. The ARNG advanced these goals by providing support for the Unified Commands and conducting training deployments in support of CINC requested missions. In FY98 the ARNG deployed 2,042 personnel to support operations in Bosnia and Kuwait, and 21,995 soldiers to conduct training events in 35 other countries. These events supported Unified Command efforts to shape the international security environment while simultaneously enhancing unit readiness.



ARNG members also performed critical missions to support the citizens of the United States by providing relief from natural disasters. In response to requests from civil authorities, the ARNG expended 374,115 mandays on 308 missions across the country to relieve suffering and restore order. The ARNG also supported the “war on drugs,” providing 552,543 mandays on 13,312 missions. Efforts to improve soldier readiness are equally impressive, with over 90,000 soldiers trained at the Combat Training Centers – the Army’s premier training facilities.

As highlighted below, the ARNG made major contributions to attaining the goals of the National Military Strategy during FY98. While training and readiness are the central focus for units and members of the ARNG, for the Unified Commands and the people of the United States the purpose is the same: mission accomplishment.

Under the direction of the President, 2,042 soldiers from the ARNG were mobilized to support CINCEUR for Operation JOINT ENDEAVOR, JOINT GUARD, and JOINT FORGE in Bosnia. Types of

ARNG Deployments To The Combat Training Centers

units mobilized included Infantry, Firefighting, Special Forces, Military Police, Public Affairs, Transportation, Aviation, Finance, Personnel, Target Acquisition, and Medical Units. The ARNG provided 164,880 mandays of support to the Unified Command using ARNG training resources to execute CINC requested mission support. In the EUCOM, the ARNG participated in JCS exercises BALTIC CHALLENGE, CORNERSTONE(2), and PEACESHIELD(2). Activities conducted by the ARNG directly supported the forward-deployed units of the Army in Maintenance, Engineer Projects, Military Intelligence, Infantry, and Military Police.

185 soldiers from the ARNG were mobilized by order of the President to support Operation SOUTHERN WATCH with Attack Helicopters, Air Defense Artillery, and Signal units. The ARNG provided 3,217 mandays in support of CENTCOM using ARNG training resources to participate in training operations that improved the readiness of the deploying units while meeting CINC mission priorities. Types of units deployed to CENTCOM included Military Intelligence, Air Defense Artillery,



Visit the ARNG Annual Financial Report at www.arng.ngb.army.mil/cfr98.htm or review the accompanying CD for further details on Army National Guard operations.



Annual Performance Goals

Vision And Performance

The purpose of the Government Performance and Results Act of 1993 (GPRA) was to establish strategic planning and performance measurement in the Federal Government. The Act required every agency to develop a strategic plan and then create performance plans to align with its strategic plan and budget.

In 1996 the Army National Guard began the process of implementing the intent of the GPRA by establishing a single strategic vision and an ARNG Directorate Mission. The ARNG made progress in implementing the requirements of the GPRA and continues to refine its annual performance goals and measurement indicators.

The following categories are examples of the areas in which the ARNG focused its efforts in FY98 to develop performance goals and measurement indicators that support the accomplishment of its domestic and international missions.

End-Strength

A. END-STRENGTH

The ARNG met its end-strength objective of 362,000 through conducting monthly Video Teleconferences with Military Personnel Officers and Recruiting and Retention officials from each state. These conferences addressed each states' issues concerning losses and gains, and discussed solutions for problem areas.

Through analysis of historical data and trends the ARNG also developed Manpower programs that provided forecasting capabilities to produce an end-strength program for each month. The Manpower program dissected all categories of gains and losses and provided an exponential forecast. Once analyzed, abnormal trends could be addressed and corrective action taken.

The ARNG met 100.1% of its FY98 end-strength objective of 362,459. Total strength included 39,307 officers and 323,152 enlisted personnel.

B. ACCESSIONS

To reach the end-strength goal of 362,000, enlisted gains were programmed at 56,638 and officer gains were 3,682. The ARNG program for Non-Prior Service (NPS) and Prior Service (PS) accessions was 25,487 and 31,151, respectively.

The ARNG finished FY98 slightly below the accession program with 55,401 accessions versus 56,638, which was 97.8% of the program. While the ARNG exceeded the NPS program, it fell short in the PS market. The analysis indicated a primary reason for the shortage was a declining PS market. The Army provided additional incentives for soldiers to stay and increased the number of prior service soldiers who could enlist in the AC from 4,000 to 7,000, which further constricted the

market. The ARNG traditionally enlists soldiers from all prior service markets; all services experienced the same phenomenon.

C. LOSSES

This was a multifaceted objective to limit the number of losses by focusing on increasing first term and careerist extensions.

In FY98, the ARNG significantly improved retention of first time enlistments. Only 61,539 losses occurred against anticipated losses of 64,219. Against a goal of 19.5% our attrition rate was 18.1%, influenced by reducing the number of Non-ETS losses. In FY98, the first term re-enlistment rate was the highest ever at 86.6%. This was a dramatic increase from three years ago when first term extensions were at 50%. This success was attributed to ARNG incentive and educational programs. The ARNG could offer more 3-year Re-enlistment Bonuses (RB) versus the 6-year RB. Additionally, tuition assistance usage continued to increase, lowering the ARNG loss rate by 4%.

Operational Readiness, Surface

The goal of the Operational Readiness, Surface program was to program and provide resources to maintain equipment to ensure efficient support to the National Military Strategy, and to acquire and distribute mission capable equipment to maximize readiness.

In FY98, ARNG units were able to maintain equipment on-hand goals consistent with mission and deployment timelines (R-2 for eSBs and FSPs; R-3 for all other units). JRTC/NTC rotations were fully resourced for Logistics Accounts. Participating units at the JRTC generally reported slight declines in readiness during the fourth quarter (post-event).

All contingency deployments were fully supported with authorized MTOE equipment. Capability of later deploying units to support Contingency missions within their State (State Missions) and to support large-scale efforts of any type was categorized as "brittle."

Funding trends to support readiness of personnel and equipment (OPTEMPO) were at a historic low. Lower priority units had no capability to sustain operations, even in a contingency action. Repair parts and spares were not available at these units. Divisional units exhausted authorized stockage of repair items in order to maintain their readiness. Any substantial employment of later deploying units could result in a catastrophic failure of the equipment due to parts shortages until funding for Operational Tempo can be provided.

Operational Readiness, Aviation

The Department of the Army (DA) goal for readiness training was to maintain C-3 as a minimum for all units. The flying hour program was funded at 65% of the dollars required to maintain aviators at their Aircrew Training Minimums (ATM), which would provide C-3 achievement. This funding level did not

The purpose of the Government Performance and Results Act of 1993 (GPRA) was to establish strategic planning and performance measurement in the Federal Government. The Act required every agency to develop a strategic plan and then create performance plans to align with its strategic plan and budget.

In 1996 the Army National Guard began the process of implementing the intent of the GPRA by establishing a single strategic vision and an ARNG Directorate Mission. The ARNG made progress in implementing the requirements of the GPRA and continues to refine its annual performance goals and measurement indicators.

The following categories are examples of the areas in which the ARNG focused its efforts in FY98 to develop performance goals and measurement indicators that support the accomplishment of its domestic and international missions.

A. END-STRENGTH

The ARNG met its end-strength objective of 362,000 through conducting monthly Video Teleconferences with Military Personnel Officers and Recruiting and Retention officials from each state. These conferences addressed each states' issues concerning losses and gains, and discussed solutions for problem areas.

Through analysis of historical data and trends the ARNG also developed Manpower programs that provided forecasting capabilities to produce an end-strength program for each month. The Manpower program dissected all categories of gains and losses and provided an exponential forecast. Once analyzed, abnormal trends could be addressed and corrective action taken.

The ARNG met 100.1% of its FY98 end-strength objective of 362,459. Total strength included 39,307 officers and 323,152 enlisted personnel.

B. ACCESSIONS

To reach the end-strength goal of 362,000, enlisted gains were programmed at 56,638 and officer

AIRCRAFT	DA GOAL MISSION CAPABLE	CURRENT STATUS SEPTEMBER 1998
UH-60	80%	57%
UH-1	75%	44%
AH-1	75%	40%
AH-64	75%	50%
CH-47	75%	58%
OH-58A/C	75%	62%
OH-58D	75%	88%



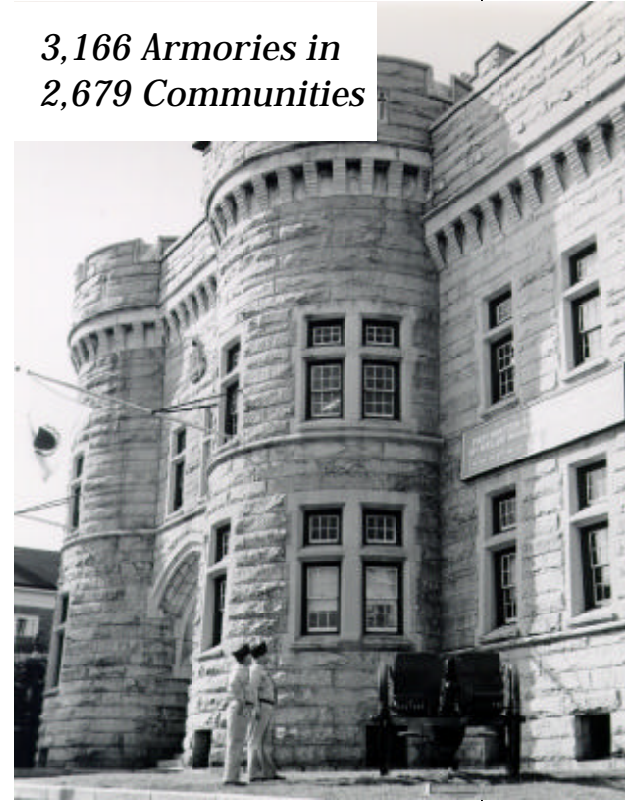
The Economic Impact Of Federal Spending

The Army National Guard is positioned well throughout each state in the nation, the territories of Guam, Puerto Rico and the Virgin Islands, and in the District of Columbia. This unique presence is supported through a mixture of Federal and local funding. Federal funding is provided in the form of military pay and allowances, operating funds for civilian payrolls and purchase of goods and services, and through capital investments in military construction projects.

Through its community-based organization, Federal funding for Army National Guard activities provided an economic benefit to communities nation-wide.

In deriving the economic impact data reflected below, financial information as of 30 September 1998 on gross obligations was collected from the official accounting records of the Army National Guard for the FY98 Personnel Appropriation (NGPA), the FY98 Operations and Maintenance Appropriation (OMNG), and for construction activity during FY98 across all MCNG appropriations. These obligations were accelerated by 2.5 times to reflect the economic money multiplier effect of dollars in action throughout the nation's communities.

*3,166 Armories in
2,679 Communities*



Military Pay and Allowances	\$8,630,152,500
Civilian Payroll	2,714,640,000
Goods and Services	3,154,622,500
Military Construction	378,052,500
Total	\$14,877,467,500



Visit the ARNG Annual Financial Report at www.arng.ngb.army.mil/cfr98.htm or review the accompanying CD for further details on Army National Guard State and Territory economic impact.



Message From The Chief Resource Management Officer

We are pleased to present the Army National Guard's first effort to disclose its financial position under the auspices of our 1998 Annual Financial Report. Previously our financial information was presented as an integral part of the Department of the Army Annual Financial Statements. The information presented in the following pages continues to be rolled into the aggregate sums of the Army's financial statements much in the same manner as a wholly owned subsidiary's information is embedded in the statements of a parent entity.

Our long term goal is to position the Army National Guard's financial management systems to allow fully auditable federal financial statements as prescribed under the Chief Financial Officers Act of 1990. However, our current management feeder systems contain the same constraints and weaknesses inherent to those used throughout the department. These weaknesses are exacerbated by the unique dual mission/dual financing of National Guard activities within federal appropriations. As such, we decided to deviate from the absolute form and content for federal financial statements established under OMB Bulletin 94-01. The accompanying notes refer you to the consolidated Department of the Army Annual Financial Statements.

Cognizant of our goal to move toward auditable financial management feeder systems, we have begun the development of a Resource Management Model (RMM) for integration of Bureau level budgeting functions with the budgeting and funding of State/Territory requirements. Scheduled for completion in fiscal year 1999, RMM will enhance the overall financial management capabilities across all levels within the Army National Guard. Improvements to other feeder systems will largely be driven by the external entities which maintain "ownership" responsibility.

Financial management within the Army National Guard, as well as across the Department of Defense, is challenged in this era of diminishing resources and expanding commitments. The need to trim defense budgets severely limits financial resources available for maintenance of equipment, real property and other lesser-essential discretionary decisions. Thus, our financial stewardship is oriented on efficient and economical use of scarce discretionary funding in order to effectively fund mission essential requirements.



EDWIN S. LIVINGSTON

Colonel, GS

Chief Resource Management Officer

Army National Guard



Balance Sheet

Department of Defense
Army National Guard
BALANCE SHEET
For the period ending September 30, 1998
(\$000)

	FY 1998
ASSETS	
1. Entity Assets	
A. Intragovernmental	
1. Fund Balance With Treasury	\$ 1,679,875
2. Investments	—
3. Accounts Receivable, Net	27,837
4. Interest Receivable	—
5. Other Assets	—
B. Governmental	
1. Investments	—
2. Accounts Receivable, Net	4,391
3. Interest Receivable	—
4. Credit Program Receivables	—
5. Cash and Other Monetary Assets	—
6. Inventory and Related Property, Net	—
7. General Property, Plant and Equipment (Note F1)	29,856,952
8. Other Assets (Note F2)	28,261
C. Total Entity Assets	31,597,318
2. Non-Entity Assets	
A. Intragovernmental	
1. Fund Balance With Treasury	—
2. Accounts Receivable, Net	—
3. Interest Receivable	—
4. Other Assets	—
B. Governmental	
1. Accounts Receivable, Net	—
2. Interest Receivable	—
3. Cash and Other Monetary Assets	—
4. Other Assets	—
C. Total Non-Entity Assets	—
3. Total Assets (Notes F3 & F4)	\$ 31,597,318

Balance Sheet (continued)

	FY 1998
LIABILITIES	
4. Liabilities Covered by Budgetary Resources	
A. Intragovernmental Liabilities	
1. Accounts Payable	\$ 784,492
2. Interest Payable	—
3. Debt	—
4. Other Intragovernmental Liabilities	—
B. Governmental Liabilities	
1. Accounts Payable	3,947
2. Interest Payable	—
3. Liabilities for Loan Guarantees	—
4. Lease Liabilities	—
5. Pensions, Other Retirement Benefits & Post-Employment Benefits	—
6. Insurance Liabilities	—
7. Other Governmental Liabilities	274,289
C. Total Liabilities Covered by Budgetary Resources	1,062,729
5. Liabilities not Covered by Budgetary Resources	
A. Intragovernmental Liabilities	
1. Accounts Payable	—
2. Debt	—
3. Other Intragovernmental Liabilities	—
B. Governmental Liabilities	
1. Accounts Payable	—
2. Debt	—
3. Lease Liabilities	—
4. Pensions, Other Retirement Benefits & Post-Employment Benefits	10,869
5. Insurance Liabilities	—
6. Other Governmental Liabilities	—
C. Total Liabilities not Covered by Budgetary Resources	10,869
6. Total Liabilities (Note F5)	1,073,598
NET POSITION	
7. Appropriated Capital	36,495,329
8. Cumulative Results of Operations	(5,971,609)
9. Total Net Position	30,523,720
10. Total Liabilities and Net Position	\$ 31,597,318

Statement Of Net Cost

Department of Defense
 Army National Guard
 STATEMENT OF NET COST
 For the period ending September 30, 1998
 (\$000)

	FY 1998
1. Program Costs	
A. Intragovernmental	
1. Production	\$ 6,129,823
2. Nonproduction	—
B. Public	
1. Production	—
2. Nonproduction	—
C. Total Program Cost	6,129,823
D. Less Earned Revenues	158,213
E. Net Program Costs	5,971,609
2. Costs Not Assigned to Programs	—
3. Less Earned Revenues Not Attributable to Programs	—
4. Deferred Maintenance	—
5. Net Cost of Operations	\$ 5,971,609

Statement Of Changes In Net Position

Department of Defense

Army National Guard

STATEMENT OF CHANGES IN NET POSITION

For the period ending September 30, 1998

(\$000)

	FY 1998
1. Net Cost of Operations	\$ 5,971,609
2. Financing Sources (Other than Exchange Revenues):	—
A. Appropriations Used	—
B. Taxes (and Other Non-exchange Revenue)	—
C. Donations (Non-exchange Revenue)	—
D. Imputed Financing	—
E. Transfers-In	—
F. Transfers-Out	—
G. Other	—
3. Net Results of Operations	(5,971,609)
4. Prior Period Adjustments	—
5. Net Change in Cumulative Results of Operations	(5,971,609)
6. Increase (Decrease) in Unexpended Appropriations	36,495,329
7. Change in Net Position	30,523,720
8. Net Position-Beginning of the Period	—
9. Net Position-End of Period	\$ 30,523,720

Statement Of Budgetary Resources

Department of Defense
 Army National Guard
 STATEMENT OF BUDGETARY RESOURCES
 For the period ending September 30, 1998
 (\$000)

	FY 1998
BUDGETARY RESOURCES:	
1. Budget Authority	
A. Appropriations	\$ 6,073,803
B. Borrowing Authority	—
C. Contract Authority	—
D. Net Transfers, Current Year Authority	152,879
E. Other	—
2. Unobligated Balance	
A. Brought Forward October 1	—
B. Net Transfers Prior-Year Balance, Actual (+ or -)	—
C. Anticipated Transfers Prior-Year Balance (+ or -)	—
3. Spending Authority from Offsetting Collections	
A. Earned	
1. Collected	124,323
2. Receivable from Federal Sources	32,932
B. Change in Unfilled Customer Orders	
1. Advance Received	—
2. Without Advance from Federal Sources	260
C. Anticipated for Rest of Year	
1. Advance for Anticipated Orders	—
2. Without Advance	—
D. Transfers from Trust Funds	
1. Collected	—
2. Anticipated	—
4. Adjustments	
A. Recoveries of Prior Year Obligations	—
B. Temporarily Not Available Pursuant to Public Law	—
C. Permanently Not Available	
1. Cancellation of Expired and No Year Accounts	—
2. Enacted Rescissions of Prior Year Balances	—
3. Capital Transfers and Redemption of Debt	—
4. Other Authority Withdrawn	—
5. Pursuant to Public Law	—
6. Anticipated for Rest of Year	—
5. Total Budgetary Resources	6,384,198

Statement Of Budgetary Resources (continued)

	FY 1998
STATUS OF BUDGETARY RESOURCES:	
6. Obligations Incurred	
A. Category A, Direct	6,067,449
B. Category B, Direct	—
C. Direct, Not Subject to Apportionment	—
D. Reimbursable	157,516
7. Unobligated Balances Available	
A. Apportioned	159,232
B. Exempt from Apportionment	—
C. Other	—
8. Unobligated Balances - Not Yet Available	
A. Apportioned for Subsequent Periods	—
B. Deferred	—
C. Withheld Pending Rescission	—
D. Other	—
9. Total, Status of Budgetary Resources	6,384,198

Statement Of Budgetary Resources (continued)

	FY 1998
OUTLAYS:	
10. Obligations Incurred	
A. Category A, Direct	6,067,247
B. Category B, Direct	—
C. Direct, Not Subject to Apportionment	—
D. Reimbursable	157,516
11. Less: Spending Authority From Offsetting Collections and Adjustments	
A. Earned	
1. Collected	124,323
2. Receivable from Federal Sources	32,932
B. Change in Unfilled Customer Orders	
1. Advance Received	—
2. Without Advance from Federal Sources	260
C. Transfers from Trust Funds	
1. Collected	—
2. Anticipated	—
D. Actual Recoveries of Prior Year Obligations	
12. Obligated Balance, Net - Beginning of Period	—
13. Obligated Balance Transferred, Net	—
14. Less: Obligated Balance, Net - End of Period	
A. Accounts Receivable	32,932
B. Unfilled Customer Orders	
1. Federal Sources Without Advance	260
C. Undelivered Orders	572,042
D. Accounts Payable	568,093
15. Total Outlays	4,960,305
A. Disbursements	5,084,628
B. Collections	124,323

Notes For Direct And Dedicated Usage Of Funds

Summary Of Accounting Policies

A. Basis of Presentation

The financial information presented within this annual report is prepared from information provided by the Defense Finance and Accounting Service after year-end closing adjustments to State accounts were made at the Department of Army level. Data provided is unaudited.

B. Reporting Entity

The Army National Guard's primary federal mission was to maintain properly trained and equipped units available for prompt mobilization for war, national emergency or as otherwise needed. The Army National Guard's state mission was to provide trained and disciplined forces for domestic emergencies or as otherwise required by state law.

The Army National Guard was funded as a separate entity within the Department of the Army. As such, the Army National Guard was not designated as a reporting entity under the Chief Financial Officers Act of 1990. Financial information contained in the Department of the Army's annual financial statements included the operating results of the Army National Guard in a consolidated and audited format.

Fiscal year 1998 represented the first year in which the Army National Guard prepared an annual financial report. The format selected for the presentation of the financial information was prescribed by the Department of Defense to comply with the Chief Financial Officer's Act.

The Army National Guard received appropriated funding to support its operating expenses. The Army National Guard also maintained deposit accounts which were used to accrue contributions related to employee benefits. Additionally, the Army National Guard received direct benefits from funds appropriated to purchase new equipment of an investment nature. Each of these appropriations are identified in the following paragraphs and table.

Appropriation symbols listed on the next page which start with "21" denote Department of the Army appropriations which were directly budgeted for and managed by the Army National Guard. Appropriation symbols starting with "97" were under the direct control of the Office of the Secretary of Defense and are identified herein due to the direct support received by the Army National Guard. Appropriations designated with "*" were available for use for a specific period of time; appropriations designated with "X" were available for an indefinite period of time.

General Funds

21*2060	National Guard Personnel, Army
21*2065	Operations and Maintenance, Army National Guard
21*2085	Military Construction, Army National Guard
97*0350	National Guard and Reserve Equipment (Limit 1801)

Deposit Funds

21X6105	Withheld Employee Contributions, State or Territorial Retirement
21X6108	Employer Contributions, State or Territorial Retirement
21X6112	Withheld Employee Contributions, State or Territorial Disability Benefits
21X6113	Withheld Employee Contributions, State or Territorial Death Benefits
21X6208	Amounts Withheld for Group Life Insurance, National Guard Members

The Army National Guard receives indirect benefits from other Army appropriations and also makes deposits to Army deposit accounts. The value of these benefits and/or deposits cannot be accurately quantified at this time. Refer to the Department of the Army Annual Financial Statements for additional information on these accounts.

C. Budgets and Budgetary Accounting

The Director, Army National Guard is responsible for directing the Army National Guard's budget and monitoring its execution against funds appropriated by Congress. Funds are distributed to states and territories by appropriation and program managers for use in accomplishing the diverse missions of the Army National Guard. Obligations and disbursements against these appropriations are reported as missions are performed.

D. Basis of Accounting

Transactions resulting from commitments, obligations, and disbursements against Army National Guard appropriations are generally recorded on an accrual basis and a budgetary basis. Under the accrual basis, revenues are recognized when earned and expenses are recognized when evidence of an incurred liability has been received. Budgetary accounting is derived from the same transactions captured under the accrual basis of accounting by using data elements specifically designed to meet legal and internal control requirements associated with use of public funds.

E. Revenues and Other Financing Sources

The Army National Guard receives the majority of its funding for operations, maintenance and personnel support activities through Congressional appropriations. The Army National Guard also receives non-reimbursable benefits and support from the Department of the Army through augmentation of training expenses and active duty personnel. The value of Department of the Army non-reimbursable support to the Army National Guard cannot be accurately determined at this time. Refer to the Department of the Army Annual Financial Statements for complete financial disclosure related to department-wide activities.

Funding to support investment-related requirements of the Army National Guard comes in the form of direct and indirect sources. Military construction is financed through direct Congressional appropriation of funds to the Army National Guard. Investment in new equipment (major end items, systems, and programs) is provided through Congressional appropriation of funds under the Office of the Secretary of Defense National Guard and Reserve Equipment funds (limit 1801) or Army procurement accounts. Other major end items, systems, programs, and other equipment may also be donated to the Army National Guard by components of the active Army and/or Army reserves as missions migrate between these individual entities. State and territorial governments also contribute to investment-related requirements of the Army National Guard through procurement and enhancement of facilities and other real property.

The Army National Guard receives benefit through the research and development activities of the Department of the Army. These benefits are derived from the ability to receive state-of-the-art equipment, systems, and programs without incurring direct costs associated with the research and development of these items. The value of benefit received by the Army National Guard as a result of Department of the Army research and development activities is indirect in nature and presently unavailable.

Army National Guard appropriations are occasionally (when authorized) augmented by reimbursable funding provided by other entities. This reimbursable funding equates to an increase in the available spending authority for the Army National Guard activity which accepts the funding. This intergovernmental transfer of funding authority allows government entities to maximize use of purchasing power by obtaining low-cost services and/or support from Army National Guard activities which possess excess capacity and/or expertise in desired areas of need. Benefits attributed to the increase in funding (under this reimbursable basis) are intended solely for the entity extending the funding.

F. Consolidated Financial Disclosures

1. Information relating to the Army National Guard's Assets, Liabilities and Net Position is contained in consolidated form under the Department of the Army Fiscal Year 1998 Annual Financial Statements and related footnotes.
2. Other Assets includes advances.
3. Total Assets does not provide for allowance for bad debts. Known bad debts total \$153,023.75.
4. Total Assets does not include depreciation on real property or amortization of federal compensatory rights on federally funded, state-owned property.
5. Total Liabilities does not include contingent liabilities for Workmen's Compensation or Disability, nor does it include a valid obligation on the part of the State of Hawaii in the amount of \$2,555.77 which was deobligated at year-end at the direction of Department of Army because the specific appropriation expired on 30 December 1998.